

Members

Rep. Craig Fry, Chairperson
Rep. Michael Smith
Sen. Allen Paul
Sen. Timothy Lanane
Paul Chase
Lee Lange



INTERIM STUDY COMMITTEE ON THE INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

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MEETING MINUTES¹

Meeting Date: October 26, 2000
Meeting Time: 1:30 P.M.
Meeting Place: State House, 200 W. Washington
St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Rep. Craig Fry, Chairperson; Rep. Michael Smith; Sen. Allen Paul; Sen. Timothy Lanane; Paul Chase; Lee Lange.

Members Absent: None.

Rep. Fry called the meeting to order at 1:40 PM and asked for discussion of the preliminary draft designated as PD 3549².

Tom Fruechtenicht, Indiana Association of Health Plans, discussed the serious funding difficulties facing the Indiana Comprehensive Health Insurance Association (ICHIA) and noted that the increasing assessments and decreasing ability of members to take tax credits create problems that potentially include insolvency. Mr. Fruechtenicht stated that his association is presenting this preliminary draft as a potential solution to the funding problem.

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

²Exhibit 1.

Phil Conklin, Maxicare and Sagamore, discussed PD 3549. He explained that the bill: (1) removes a current provision allowing refunds to members which would result in shifting of the cost to other members; (2) caps gross assessments at 1.5% of the member's premiums; (3) provides that members may certify unused tax credits to ICHIA for a decrease in the following year's assessment; (4) allows previously unused tax credits to reduce assessments for three years; and (5) provides for reimbursement to ICHIA for the reduced assessments from the state general fund.

In response to a question from Rep. Smith, Jim Bucher, Outsourced Administrative Systems, Inc. (OASYS), stated that cost projections determine assessments before claims are incurred. Rep. Smith expressed his understanding that the current system results in private industry financing a state program.

Sen. Lanane asked about the fiscal impact of the PD. Staff responded that a broad based analysis of the PD was done, and that the PD appears to bring the ICHIA funding mechanism closer to its original state wherein premiums and the state, through tax credits or reimbursement, fund the program. Considering the previously reported ability of members to take 67% of their tax credits, staff estimated a \$14 million to \$15 million increase in the state's cost per year if the PD were to become law.

In response to a question from Rep. Fry, staff responded that there is a "float" period between the time assessments are paid and the time tax credits are taken during which the state has the benefit of money that it would not have if the state were directly financing the ICHIA program. In response to a question from Rep. Fry, Mr. Conklin stated that the impact of the PD on consumers would probably be that insurance premiums would not increase, but that premiums probably would not decrease.

There was general discussion regarding: (1) the \$15 million being refunded or not being paid by insurers through decreased assessments under the PD; and (2) ICHIA being the alternative to guaranteed issue in the individual insurance market under the federal Health Insurance Portability and Accountability Act (HIPAA).

In response to a question from Rep. Fry, Dan Seitz, Bose McKinney and Evans, stated that ICHIA was established when Blue Cross/Blue Shield could no longer act as the insurer of last resort and that it was determined more reasonable to spread the risk across a much broader population than just Blue Cross/Blue Shield insureds. Mr. Seitz stated that the intent of ICHIA was to shift the cost of insuring high risk individuals to the public sector with the private sector temporarily providing financing. He noted that a cash refund was not intended, but that the state would forego revenues from taxes to make up for the assessments. He noted that a change in dynamics prevents that from occurring today.

There was general discussion about the cost of the PD if it were enacted.

In response to a question from Mr. Chase, Mr. Conklin described the differences between a previously introduced bill intended to resolve the ICHIA funding problem which would have provided for 1/3 of the cost to be covered by premiums, 1/3 by state funds, and 1/3 by members. In response to a question from Sen. Lanane, Mr. Conklin stated that the previously introduced bill would have allowed insurance companies to pass on the cost in premiums, or absorb the cost.

Rep. Smith noted: (1) the correlation between increased premiums and increased numbers of uninsured individuals; (2) the previous budget in which the General Assembly appropriated money for the purchase of ICHIA policies for AIDS victims; (3) the intent of ICHIA which was that the government would pay the cost through tax credits; (4) the

incidence of health maintenance organizations dropping out of the market; and (5) the need for the General Assembly to do something to change the current system rather than continuing a mechanism through which a small population picks up the cost of the program. He stated that he would like to recommend the PD as a starting point to resolve the funding problem.

Rep. Fry asked what would happen if ICHIA were repealed. Mr. Conklin responded that some of those insured under ICHIA would probably be absorbed by Medicaid, the children's health insurance program, and insurance companies with high premium rates. Liz Carroll, Chief Deputy Commissioner, Indiana Department of Insurance, stated that the result would be guaranteed issue in the individual insurance market under HIPAA. Ms. Carroll recommended investigating the result in other states that have abolished their high risk pools. Mr. Seitz stated that the individual market would again be required to cover high risk individuals.

Expressing his belief that PD 3549 is not the best answer to the ICHIA funding problem, Rep. Fry requested that staff explain the contents of the draft final report³. Staff provided an explanation of the draft final report, noting that the draft contained no recommendations.

Ms. Lange spoke about additional information from OASYS regarding assessments. Mr. Bucher presented two handouts⁴ and explained that the 1999 average claims cost was \$770 per insured per month. He noted that non-health maintenance organization members were able to use 78% of their tax credits, but that health maintenance organization members were able to use only 19% of their tax credits. Ms. Lange noted that the majority of health maintenance organizations in Indiana are locally owned and that their current ability to use such a small portion of tax credits increases the likelihood of those health maintenance organizations being acquired by companies outside of Indiana, comparing this situation to the banking situation.

Rep. Fry requested a motion on adoption of the final report. A motion was made and seconded and the final report was adopted by a vote of 3-1. Rep. Smith, explaining his vote, expressed his belief that the General Assembly needs to take action to resolve the ICHIA funding problem, and that PD 3549 is a good place to start. Mr. Chase noted the difficulty of serving as director of the ICHIA board under the circumstances of the current ICHIA funding problem. Ms. Lange expressed her disappointment that PD 3549 was not adopted by the Committee, and stated that the viability of the ICHIA program is at stake and warrants more discussion and debate.

Rep. Fry stressed that he is committed to working on the ICHIA funding issue during the 2001 legislative session, and that there must be a solution that provides a method of sharing the burden of funding the ICHIA program.

Rep. Fry adjourned the meeting at 2:35 PM.

³Exhibit 2.

⁴Exhibit 3.